



Feinstein, Cantwell Press for Public Release of Enron Evidence,  
Citing Implications for Oil Markets

*- Ex-Enron traders still exploiting loopholes to pull in millions; release of sealed evidence  
could help expose trading strategies -*

May 2, 2006

**Washington, D.C.** – U.S. Senators Dianne Feinstein (D-Calif.) and Maria Cantwell (D-Wash.) today called on federal energy regulators and the Department of Justice to ensure the timely public release of evidence acquired during the government’s ongoing Enron investigation.

The senators, both members of the Senate Energy Committee, submitted a Freedom of Information Act (FOIA) request for the evidence as part of their effort to prevent future market manipulation schemes in energy trading, including highly volatile oil and gasoline markets. In the absence of much needed consumer protections, former Enron traders—who played a central role in artificially inflating electricity rates throughout the West prior to Enron’s collapse—continue to make millions in unregulated energy markets at the expense of American consumers.

**“It’s now clear that fraud and manipulation were a major part of the West Coast energy crisis in 2001. Thirty-two companies have already pleaded guilty or settled \$6 billion in claims. Yet, many of the same traders who rigged the market are still trading energy commodities,”** Senator Feinstein said.

**“As an example, according to media reports, one of the Enron traders who booked \$750 million in natural gas contracts in 2001, subsequently started Centaurus Energy, a hedge fund company that trades energy commodities. When he was asked during a deposition about whether he had ever manipulated the Western energy markets while at Enron, he took the 5th Amendment and refused to answer. This man was never prosecuted, and is now trading energy commodities that are not subject to federal oversight.**

**American consumers need to be assured that the dramatic escalation in oil prices is not once again the result of energy market manipulation. And we need to know why those who may have manipulated the marketplace have not been subject to further scrutiny.”**

Senator Cantwell said, **“The American people have a right to know the full extent of Enron’s schemes to exploit consumers and steal millions from Western ratepayers.**

**Keeping hundreds of hours of audiotape locked away will make it more difficult to prevent this kind of massive rip-off in the future.**

**Businesses and utilities still trying to prove their cases against Enron need this evidence to ensure justice. Policy makers need it to make sure we close every loophole that lets energy traders pick the pockets of American consumers. Using the same loopholes that helped them manipulate Western energy markets five years ago, former Enron traders are making millions each year in energy markets now.**

**We need access to the Enron evidence and better transparency to understand the complex speculation market dynamics; and federal regulators need more tools to protect consumers so they can trust that the prices they are paying are legitimate and not artificially inflated.”**

The current lack of transparency in the energy commodity markets makes it difficult to identify potential market manipulation schemes like those Enron pioneered using its own trading platform, EnronOnline. Due to a loophole in federal law, EnronOnline was exempt from scrutiny by the federal Commodity Futures Trading Commission. Subsequent investigations revealed that Enron used this platform to drive profits by manipulating physical supplies and financial energy commodities.

While Enron collapsed in 2001, other companies—some even headed by former Enron officials—continue to make millions of dollars through secret deals in unregulated trading markets, including oil and gasoline. Former Enron employees’ roles in new trading companies have been the focus of recent press reports in the *New York Times* and elsewhere. For example, one such company—Centaurus Energy—has amassed \$1 billion in assets in energy commodities and employs more than a dozen former Enron traders, including some who remain the subject of lawsuits related to the company’s scandalous collapse into bankruptcy.

Senators Feinstein and Cantwell submitted a FOIA request to the Federal Energy Regulatory Commission (FERC) asking for the release of evidence related to FERC’s ongoing Enron investigation that has to date been kept under seal. In August 2004, the Department of Justice gave FERC access to an initial 190 Enron audio recordings seized by the FBI in October 2002. Since then, 18 additional tapes were found at an Enron storage facility in September 2004, and 16 additional undated tapes were discovered inside Enron’s own recording equipment. The FOIA request asks for all FERC staff exhibits from the ongoing Enron trial that include sealed material.

In letters sent to FERC Chairman Joseph Kelliher and Deputy Attorney General Paul McNulty, Senators Feinstein and Cantwell asked for assistance in securing the timely release of the requested materials.

**“We believe additional audiotapes, documents and emails related to Enron’s market manipulation schemes may be of substantial value in crafting federal policies related to the kind of speculative financial trading in energy commodities that Enron pioneered,” the senators wrote. “Since Enron’s collapse, this kind of trading has become a multi-billion-dollar, unregulated industry with potentially far-reaching impacts for American oil,**

**gasoline, natural gas, and electricity markets. We are thus seeking your assistance in facilitating the release of this information.”**

Last week, as part of an ongoing effort to ensure fairness energy markets, Senators Feinstein and Cantwell introduced bipartisan legislation to enhance the transparency of energy commodity trading—80 percent of which is taking place beyond the reach of federal regulators, thanks to the “Enron loophole” in U.S. commodity trading laws.

The senators are also leading a bipartisan coalition of all ten senators from Washington, Oregon, California, Idaho, and Montana calling on federal energy regulators to abandon the terms of a proposed settlement with bankrupt energy trader Enron, which would require FERC staff to work to prevent the public release of Enron evidence that remains sealed. Senators Feinstein and Cantwell’s FOIA request, submitted Monday, is another important step toward ensuring the public release of evidence against Enron.

The texts of the letter Senators Feinstein and Cantwell send to FERC and the Department of Justice, the senators’ FOIA request, and a letter from an Enron attorney to the Department of Justice discussing the existence of additional audiotapes are available upon request.

###